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P 161517Z MAR 09  
FM AMEMBASSY ABUJA  
TO RUEHC/SECSTATE WASHDC 5517  
INFO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEHOS/AMCONSUL LAGOS 0973  
RUEHZK/ECOWAS COLLECTIVE  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RHEBAAA/DEPT OF ENERGY WASHDC

UNCLAS ABUJA 000455

SENSITIVE  
SIPDIS

DEPARTMENT PASS TO USTR AGAMA  
TREASURY FOR PETERS, IERONIMO, HALL  
DOC FOR 3317/ITA/OA/KBURRESS  
DOC FOR 3130/USFC/OIO/ANESA/DHARRIS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [ENRG](#) [EPET](#) [PGOV](#) [NI](#)  
SUBJECT: NIGERIA: STATES SEEKING MORE DISBURSEMENTS FROM THE EXCESS CRUDE ACCOUNT

REF: A. ABUJA 263  
[B.](#) 08 ABUJA 1191

SENSITIVE BUT UNCLASSIFIED - PLEASE HANDLE ACCORDINGLY

[¶](#)1. (SBU) Summary. The Government of Nigeria (GON) plans to share \$1.5 billion from the Excess Crude Account (ECA) among the three tiers of government to make up for shortfalls in government revenue.

Revenues from the sale of crude oil have dwindled due to the fall in the international price of crude oil. The present situation poses a challenge to infrastructure project implementation and paying salaries to public workers. The Minister of Finance Minister told the Ambassador on February 5 that he was reluctant to tap into the ECA, but admitted that the political pressure to do so from the states may win out, which apparently is the case (reftel A). End Summary.

[¶](#)2. (U) On March 10, the National Economic Council (NEC) approved the sharing of \$1.5 billion among the three tiers of government from the ECA to augment revenue shortfalls accruing to the GON. The state and local governments are concerned that dwindling revenue is making it difficult to pay salaries of public servants and implement infrastructure projects. The media reports that the ECA currently has a balance of \$15 billion. (Note: The NEC consists of the state governors and economic managers appointed by the president. The president and the vice-president attend the meetings with the president chairing, and in his absence, the vice-president chairs the meetings. End Note).

[¶](#)3. (U) The agreed sharing formula is 52.68% to the federal government; 26.72% to the states; and 20.6% to the local councils; while 13% will be disbursed to the oil producing areas in line with the derivation principle. Though most of the states have tried to increase internally generated revenue to solve the challenge of falling revenues, the NEC agreed that it was necessary to augment revenue shortfalls from the ECA to the states at this point given their budgetary pressures.

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Comment

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[¶](#)4. (SBU) Dwindling revenues resulting from falling international crude oil prices pose a major challenge to implementing various government programs at the different tiers of government. Despite the Finance Minister's preference (on macroeconomic grounds) to not tap into the ECA, pressure from the states has won this round. As recession pressures increase on the GON we can expect that the ECA will be used again to relieve budget pressures on the states.

[¶](#)5. (U) This cable was coordinated with Consulate Lagos.

SANDERS